Wealth Markets and Commerce

Finance - Economics

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Tuesday, July 10, 1917

A report came over the news tickers early in the day to the effect that a further issue on September 15 of $3,000,000,000 Liberty bonds, bearing interest at the rate of 3½ per cent, had been decided on. Later it was denied that any definite time for bringing out the bonds had been set, but meanwhile there was much discussion as to the advisability of keeping the interest rate down to 3½ per cent. A majority seemed to believe that, in view of the oversubscription to the first instalment, recently offered to the public, 3½ per cent would be sufficiently high, but a good many argued that the terms of the next offering would have to be more attractive, mainly because a large part of the capital available for investment has been absorbed by the bonds already sold. Most bankers—even those who held out for a higher rate in the beginning—are now of the opinion that three billions more can be placed successfully without increasing the yield. Moreover, it is worth noting that the law authorizing an issue of $5,000,000,000 provides that the bonds "shall be in such form and subject to such terms and conditions of issue, conversion, redemption, maturities, payment and rate and time of payment of interest, *not exceeding three and one-half per centum per annum*, as the Secretary of the Treasury may prescribe." Therefore, if a higher rate were contemplated the Treasury Department would have to ask Congress to amend the war loan act, and such action is considered unlikely.

Little surprise was expressed in Wall Street when the report of unfilled orders on the books of the United States Steel Corporation at the close of June showed a decrease for the month of half a million tons. Moreover, the statement was not regarded as being unfavorable, for several reasons. While it is possible that high prices checked the placing of new business to some extent, the decrease was ascribed mainly to other things. One factor which made for a decline in the amount of orders on hand at the end of the month was the improvement in transportation conditions, which probably resulted in much heavier shipments. More important than this, however, was the fact that the Corporation refused to accept a good many orders because the extent of the government's requirements had not been determined. It was recently stated on good authority that the Corporation had not booked a single order for ship plates since the United States entered the war, though extremely high prices had been offered, because it seemed probable that the government would need all that could be produced.

Rumors that the German Chancellor would make definite peace proposals caused traders to sell stocks for a fall, and a sharp decline in prices on the Stock Exchange resulted. When the report that the Chancellor had declared for war "to the last gasp" was received traders promptly covered their short commitments, and prices advanced about enough to wipe out the losses of the preceding day. Obviously, the inference is that early peace would adversely affect security values—a theory to which most traders subscribe. Their arguments in support of the theory might carry more weight if it were not for the fact that they make a bearish argument out of war, too, whenever the market happens to be in such a position that it is readily susceptible to attack. Lacking rumors of peace, the professional speculators will talk gloomily of the effects of war taxation, price regulation, government control of industries and other things which might be averted if peace should be restored. So it seems that stock values are doomed to suffer heavily if the war continues, and just as heavily if it doesn't—at least, it seems that way if you are short of the market. Those who are disinterested are somewhat less certain in their predictions. They are even willing to admit that they don't know what will happen.

Money and Credit

Money rates continued easy yesterday. The demand in the time loan market was chiefly for sixty-day maturities secured by industrial securities as collateral, with a rate of 4¼ to 4½ per cent. Rates for loans backed by a mixture of railway and industrial securities as collateral were unchanged.

At the Stock Exchange call loans ruled at 2½ per cent, compared with 3 the day before.

Ruling rates of money yesterday, compared with a year ago, were as follows:

	Yesterday.	Year ago.
Call money	2½%	3½%
Time money (mixed collateral):		
60 days	4 @4¼%	3½@3¾%
90 days	4 @4¼%	3½@3¾%
4 months	4½%	3¾@4 %
5 to 6 mos	4½%	4 %

Commercial Paper.—Some business was done on a basis of 4¾ per cent yesterday, although the ruling rate held around 5 per cent.

Bank Clearings.—The day's clearings at New York and other cities:

	Exchanges.	Balances.
New York	$615,923,238	$60,253,594
Boston	44,454,811	8,171,717
Chicago	87,447,286	3,581,609
Philadelphia	48,016,293	6,900,027
St. Louis	19,852,875	3,446,819

Sub-Treasury.—New York banks lost to the Sub-Treasury $259,787.

Silver.—Bars in London, 40⅛d; New York, 79½ cents; Mexican dollars, 62½ cents.

Gold Currents.—Gold coin to the amount of $331,000 was withdrawn from the Sub-Treasury yesterday—$300,000 for shipment to South America and $31,000 to Cuba.

London Money Market.—London, July 10.—Money was in good supply and discount rates were easy to-day. French and Russian exchange rates declined sharply. Money, 3½ to 4 per cent. Discount rates—Short bills, 4¾ per cent; three-month bills, 4 13-16 per cent. Gold premium at Lisbon, 85.00.

The Dollar in Foreign Exchange

Russian exchange recovered sharply in the local market yesterday. Rubles sold up to 23.50 cents and closed at 23.30, compared with 23 cents the day before. Last week they sold at 21.80 cents. The improvement in rubles was attributed to the reports of fresh successes of the Russians in their new offensive and the assurances given by the Russian Ambassador to the United States that his country could be relied upon to meet its war debt after the cessation of hostilities.

The rest of the exchange market was quiet, with francs displaying a strong tone at 5.71¼ for cables. Exchange on Switzerland moved higher.

Closing rates yesterday, compared with a week ago, are given in the table below. American bankers have suspended all dealings in German and Austrian exchange, so that daily quotations for either marks or kronen are no longer available.

(Quoted dollars to the pound.)	Yesterday.	Week ago.
Sterling, demand	$4.75 7-16	$4.75⅜
Sterling, sixty days	4.72	4.71¾
Sterling, cables	4.76 7-16	4.76 7-16
Sterling, ninety days	4.70	4.69¾
(Quoted units to the dollar.)		
Francs, demand	5.72¼	5.75¾
Francs, cables	5.71¼	5.74¾
Lire, checks	7.19	7.24
Lire, cables	7.20	7.23
Swiss, checks	4.68	4.77
Swiss, cables	4.66	4.75
(Quoted cents to the unit.)		
Guilders, checks	41¼	41⅛
Guilders, cables	41⅜	41¼
Rubles, cables	23.30	21.85
Stockholm, kr., ch'ks	31.00	30.40
Copenhagen, kr., ch'ks	29.00	28.90
Pesetas, checks	23.10	23.15

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold parity, as calculated by the United States Mint:

	Current exchange value.	Intrinsic value.
Pounds, sterling	$4.75 7-16	$4.86⅝
Francs	0.17.5	0.19.3
Guilders	0.41¼	0.40.2
Rubles	0.23.30	0.51.2
Lire, checks	0.13.9	0.19.3
Crowns (Denmark)	0.29.00	0.26.8
Crowns (Sweden)	0.31.00	0.26.8

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling at, say, $4.75 7-16. The intrinsic parity is $4.86⅝ per pound. Thus, you say either that pounds are at a discount or that dollars are at a premium, which is owing to the fact that in England the demand for dollars with which to settle accounts in this country is greater than the demand in this country for pounds with which to settle accounts in England.

Further Rise in Price of Silver

Resumption of Purchases by London Anticipated; Treasury Department Buys

Bullion dealers quoted commercial bar silver at 79½ cents an ounce yesterday, an advance over night of ¾ cents. The rise was attributed to further buying by the Treasury Department and established a new record high price for the metal since the early '90s.

The government has bought several million ounces of silver since January 1, the metal being used for minting subsidiary coins.

The head of one of the prominent Wall Street houses which does a large business in buying and selling silver said: "The foreign demand for silver still continues heavy. The Far East is taking large amounts of the metal direct from the United States. This is something that was rarely done before the war, because London was the centre of the world's silver market and acted as clearing house for the metal."

It was stated that London has not been buying metal here for the last five weeks, but that a resumption of purchases for that account might be expected at any time. Silver laid down in London costs a great deal more than 79½ cents an ounce. Insurance on silver cargoes from New York to Liverpool now costs approximately $5.25 per $100 of metal, against 5 cents per $100 worth of silver before the war.

With a view to assisting Indian and Ceylon planters who have lost their British and other trade owing to the shortage of tonnage, the Australian government has prohibited the importation of tea from outside the British Empire. Latterly China and Java teas have been obtaining a strong hold in the Australian market.

Wall Street Is Making Ready For New Loan

Governors of Federal Reserve Banks to Meet Here Next Monday

Governors of six of the twelve Federal Reserve banks of the country are scheduled to meet in New York on Monday next to discuss ways and means for the successful flotation of the second installment of the Liberty Loan, which is to be offered for public subscription early this autumn. Just which districts will be represented could not be learned yesterday, but it is understood that the heads of the Eastern banks of the system are to take part in the conference. The meeting, is is said, will probably mark the opening of the big campaign that is to be conducted in behalf of the government's second war loan.

Plans for New Loan Laid

There has been some difference of opinion in financial circles as to whether $2,000,000,000 or $3,000,000,000 would be the amount offered, although lately it has been generally thought that the latter amount would be brought out, thereby exhausting the total remaining under the $5,000,000,000 authorization.

Locally plans are already well under way for launching the new campaign. While some weeks will elapse before the drive will actually be started, the ground work is now being laid. It was stated yesterday that since the close of the first Liberty Loan campaign a large number of people have offered their services in connection with future loans. In order that these volunteers may be intelligently treated and their services utilized Governor Strong of the Federal Reserve Bank of New York has decided to open a publicity office in a few days. The office will probably be located in the Equitable Building.

The official publicity committee appointed by the Liberty Loan committee to act during the last campaign has been dissolved, and no new committee will be appointed at this time. For the present officials of the Federal Reserve Bank have requested Guy Emerson, vice-president of the National Bank of Commerce, who was secretary of the former Liberty Loan public committee, to supervise the details of the work of the new office. A small paid staff will be employed, and this headquarters will serve as a rallying point for all those who can render effective service in a publicity way.

No Committee Appointed

"We have been given to understand," said Mr. Emerson yesterday, "that the second Liberty Loan of 1917 will be offered to the public some time in the early autumn. The amount of the loan has not been officially stated, but it will certainly be large, and will require the very best efforts of all of us to distribute it as thoroughly as the last $2,000,000,000 was distributed. No official publicity committee has as yet been appointed, but there are many preparations for the next loan, which ought to be started immediately, in order to avoid the rush and strain which attended the last Liberty Loan campaign. A great many people who are influential, with large organizations, have offered their services on condition that they be given plenty of time to prepare their machinery before the loan is actually offered to the public.

"Many men who worked very effectively in the last loan have stated that unless they are now enlisted in the Liberty Loan work they will feel under obligations to attend officers' camps which will open in the near future. We feel that the raising of the money for the war is one of the most important things to be done, and that it should be done efficiently and liberally, and that an organization should gradually take shape which will be more or less permanent in character throughout the war.

"I believe that this is the idea that Governor Strong, of the Federal Reserve Bank, has in mind in deciding to open publicity headquarters at this time."

New W. & L. E. Directors Represent The Rockefellers

Election of men representing the Standard Oil interests as directors of the Wheeling & Lake Erie Railway is the latest development in the passing of control of that road to the Rockefellers.

Carl R. Gray, president of the Western Maryland Railway, had been elected chairman of the board to succeed L. F. Loree, according to an announcement made yesterday, while M. C. Byers and Bertram Cutler were elected directors to succeed H. H. Porter and Johnston De Forrest.

Control of the Wheeling & Lake Erie passed to the Rockefeller interests early in May, when the Western Maryland, as the nominal purchaser, bought $11,450,000 prior lien 7 per cent stock from Kuhn, Loeb & Co. and Blair & Co., the reorganization managers.

In the Wheeling & Lake Erie reorganization $11,882,600 of the prior lien stock was offered to shareholders at par, but only $450,000 was subscribed for. The reorganization bankers, who held an equal amount of the company's three-year notes, then acquired the stock in lieu of this obligation.

It is understood that the Rockefeller interests intend to have a Washington-Chicago line, with the Western Maryland and the Wheeling & Lake Erie as a nucleus.

Canada Open to Americans

Dominion Lets Down Immigration Bars Because of War

One of the results of the participation of the United States in the war has been to banish for all time unnecessary immigration regulations in connection with Americans entering or leaving Canada, whether on business or pleasure bent, says the Ottawa correspondent of The Associated Press.

Dr. W. J. Roche, Minister of the Interior in the Canadian government, has announced that citizens of the United States need no passports to enter or leave the Dominion. American visitors, he said, always had been welcome in Canada, and they are doubly so now. Every effort would be made by officials at the border, this year particularly, to facilitate the interchange of passenger traffic between Canada and the United States. While Canadians between the ages of eighteen and twenty-five require passports to leave the country, American tourists and business people are entering and leaving the country as freely as ever.

Men between eighteen and forty-five entering Canada from the United States on pleasure or business may obtain, from the Canadian immigration inspector where they cross the border, a card certifying that they are not ordinarily resident within Canada, and this card will be accepted by any immigration inspector at the port through which such traveller returns to the United States, it is officially stated.

News Digest

Foreign

Russian News Cheers London Market.—London, July 10.—The stock market was cheerfully firm on the Russian news, which further hardened Russian securities. The chief interest was in home rails, on dividend anticipations, though Allied bonds and Scandinavian and Argentine issues were firm and oil and gold mine shares were supported. Industrials and American securities were dull.

Paris Bourse.—Paris, July 10.—Trading was very quiet on the Bourse to-day. Three per cent rentes, 60 francs 40 centimes for cash; exchange on London, 27 francs 18 centimes; 5 per cent loan, 88 francs 45 centimes.

Bank Elections

R. L. Farnham yesterday was elected a vice-president of the National City Bank. This institution now has twelve vice-presidents.

H. Ward Ford, vice-president of the Greenwich Bank of New York, has been elected president, to succeed the late William C. Duncan.

Corporation Returns

Chicago & Alton

	1917.	1916.
May gross	$1,727,019	$1,369,246
Net after taxes	447,190	320,851

Toledo, St. Louis & Western

	1917.	1916.
May gross	$591,514	$523,874
Net after taxes	161,884	190,304

Bangor & Aroostook

	1917.	1916.
May gross	$390,204	$344,284
Net	146,980	159,517

Leaders in Steel Trade Called To Washington

Uncertainty as to Government's Needs Causes Decrease in Unfilled Orders

Leading steel men who are members of the committee appointed by the American Iron and Steel Institute left for Washington yesterday, at the request of Secretary Baker of the War Department, to discuss with him and Secretary Daniels of the Navy the steel requirements of the government for war purposes. A definite understanding as to what prices the steel companies are to receive for their products and the amount of tonnage they will be required to furnish is expected to result from this conference.

Personnel of Committee

Members of the committee are E. H. Gary, chairman of the United States Steel Corporation; James A. Farrell, president of the United States Steel Corporation; J. A. Burden, of the Burden Iron and Steel Company; E. A. S. Clarke, president of the Lackawanna Steel Company; H. G. Dalton, of Pickards, Mather & Co.; A. C. Dinkey, of the Midvale Steel Company; E. G. Grace, president of the Bethlehem Steel Company; W. L. King, vice-president of Jones & Laughlin, and J. A. Topping, head of the Republic Iron and Steel Company.

Steel Tonnage Less

The United States Steel Corporation reported that unfilled orders on its books June 30 were 503,304 tons less than at the end of May, the total being 11,383,287 tons. This compares with 9,640,458 tons at the close of June, 1916, and a high record of 12,183,083 tons reported on April 30 of this year.

No official explanation for the decrease last month was vouchsafed, but in Wall Street the general understanding was that the corporation has been refusing to accept new orders while the question of the government's needs and the price to be paid for steel intended for the use of the army and navy is still unsettled.

The following table gives the unfilled tonnage at the close of each month since January, 1915:

	1917.	1916.	1915.
Jan'ry.	11,474,054	7,922,767	4,248,571
Feb'ry.	11,576,697	8,568,966	4,345,371
March.	11,711,644	9,331,001	4,256,749
April.	12,183,083	9,829,551	4,162,244
May.	11,886,591	9,937,798	4,264,598
June.	11,383,287	9,640,458	4,678,196
July.	——	9,593,592	4,928,540
Aug'st.	——	9,660,357	4,908,445
Sept.	——	9,552,584	5,317,618
Oct.	——	10,015,260	6,165,452
Nov.	——	11,058,542	7,189,489
Dec.	——	11,547,286	7,806,220

Relevant Facts

Anaconda Copper.—More than 16,000 names are listed on the books of the company as stockholders, most of whom were shareholders of the old Amalgamated Copper Company. Directors, according to a compilation of "The Wall Street Journal," have comparatively little stock in their own names. The largest holder of record appears to be the Big Blackfoot Lumber Company, a subsidiary, with 16,093 shares. John D. Ryan, president, is credited with 980 shares. B. B. Thayer, vice-president, has 14; H. H. Rogers, son of the founder of the old Amalgamated Copper Company, and a director, is down for only 10 shares; William Rockefeller, credited with being the controlling spirit in the present company, has only 34 shares in his own name. His son, William G. Rockefeller, has 4,373 shares, and his son-in-law, Marcellus Hartley Dodge, who is head of the Remington Arms-Union Metallic Cartridge Company, has 8,684 shares. Other large holders, with the amounts held, are the late John D. Archbold, 1,000 shares; W. Bourke Cockran, 1,000 shares; W. E. Corey, 4,383 shares; James A. Farrell, 1,000 shares; E. S. Harkness, 2,625 shares; W. L. Harkness, 8,750 shares; estate of Anthony N. Brady, 3,600 shares; C. W. Harkness, 8,100 shares, and August Heckscher, 1,000 shares.

Springfield Body Corporation.—A committee of stockholders, of which Spencer Waters is chairman, has made public a plan for the voluntary readjustment of the company's financial structure. This provides for an additional $640,000 new 8 per cent first preferred stock, of which $140,000 will go to present creditors. The balance is expected to be taken by holders of the old preferred stock to the extent of 25 per cent of their holdings at par. The common stock holders are asked to give up 50 per cent of their holdings, but they may subscribe to new preferred stock. The old preferred stock holders who do not subscribe to new prefered must sacrifice 25 per cent of their holdings. The present preferred stock becomes second preferred. Creditors of the company, whose claims amount to $420,000, are to take one-third cash, one-third in new preferred stock and one-third in one-year notes. On May 15 the company had current liabilities of $683,000 and current assets of $500,000. The company's financial difficulties are attributed to the falling off in the demand for pleasure automobiles, for which it makes winter tops.

Butte Copper and Zinc.—In a letter to stockholders Albert J. Seligman, president, announces a plan to increase the company's capital stock by 100,000 shares of $5 par, making a total capitalization of 600,000 shares. The new issue will be offered to shareholders and voting trust certificate holders as of record July 31 on the basis of one share of new stock at $7 a share for each five shares now owned. The $700,000 thus raised is to be used mainly to acquire properties adjacent to the present mine, which is leased by the Anaconda Copper Company, the purchase price having been fixed at about $630,000.

Butte and Superior Mining.—The company reports net earnings for the year ended July 1 of $3,941,756, against $10,497,079 for the previous year, a decrease of $6,555,323. The East Butte Company reports net earnings of $1,257,213, an increase of $200,000.

Western Union.—For May the company reports to the Interstate Commerce Commission operating income of $900,000, against $1,340,418 for the corresponding month of 1916. Operating income for the five months ended with May was $7,310,141, an increase of $638,245.

Spelter Production in 1916.—The production of spelter for 1916 was 683,004 tons, against 507,142 tons in 1915, according to figures compiled by W. R. Inglis on the zinc industry of the United States. The stock of spelter at the various smelter works on December 16 last was 15,085 tons, compared with 14,300 tons at the begining of 1916. Exports of spelter last year totalled 192,000 tons and domestic consumption was in the neighborhood of 450,000 tons.

Keystone Telephone.—Directors have declared a dividend of 2½ per cent on account of accumulated dividends on the preferred stock, payable August 1 to stockholders of record July 20. Dividends in arrears, after allowing for the present declaration, amount to $26.25 a share on the outstanding preferred stock.

Dividends

Nashville, Chattanooga & St. Louis.—Regular semi-annual dividend of 3½ per cent, payable August 1 to stockholders of record July 23.

New York & Honduras Rosario Mining.—Regular quarterly dividend of 3 per cent and an extra dividend of 2 per cent, payable July 27 to stockholders of record July 17.

Cudahy Packing.—Regular quarterly dividend of 1¾ per cent on the common stock, payable September 15 to stockholders of record September 5, and regular semi-annual dividend of 3½ per cent on the preferred stock, payable November 1 to stockholders of record October 20.

Public Service Investment.—Regular quarterly dividend of $1.50 per share on the preferred stock, payable August 1 to stockholders of record July 14.

Pacific Coast.—Regular quarterly dividends of 1¼ per cent on the first preferred, 1 per cent on the second preferred and 1 per cent on the common stocks, payable August 1 to stockholders of record July 21.

Kerr Lake Mining.—Regular quarterly dividend of 25 cents a share, payable September 15 to stockholders of record September 1.

W. H. McElwaine.—Regular quarterly dividend of 1½ per cent on the first preferred, second preferred and common stocks, payable August 1 to stockholders of record July 14.

Home Insurance.—Semi-annual dividend of 12½ per cent, payable on demand.

People's Gas Light & Coke.—Regular quarterly dividend of 1 per cent, payable August 25 to stockholders of record August 1.

Significant Relations

Money and Prices:

	Now.		A year ago.
Stock of money gold in the country	$3,088,711,272		$2,331,494,834
	May 5, 1917.		Nearest period previous year.
Loans of all national banks	$8,751,000,000		$7,606,000,000
Total reserve (i. e., cash in national bank vaults and on deposit with Federal Reserve banks)	1,525,000,000		1,205,000,000
Ratio of this total reserve to gross deposit liabilities of national banks	11.7%		10.8%
	Last week.		A year ago.
Bills discounted and bought by Federal Reserve banks	$331,517,000		$92,131,000
Federal Reserve notes in circulation	527,459,000		154,685,000
Total gold reserves	1,317,703,000		498,330,000
	Yesterday.	The day before.	A year ago.
Average price of 15 railroad stocks	108.67	108.20	119.30
Average price of 12 industrial stocks	97.24	97.16	89.60
	Last week.	The week before.	A year ago.
Food cost of living (Annalist index number)	264.789	272.786	170.126
Production:			
	July 1.	June 1.	A year ago.
Unfilled U. S. Steel orders, tons	11,383,287	11,886,591	9,640,458
	June.	May.	A year ago.
Pig iron (daily average), tons	109,002	110,238	107,053
	May.	April.	A year ago.
Active cotton spindles	33,459,169	33,259,859	32,209,374
	The 1916 yield.		Previous year's crop.
Wheat crop, bushels	639,886,000		1,012,000,000
Corn crop, bushels	2,593,241,000		3,055,000,000
Cotton crop, bales (exc. linters)	11,356,944		11,068,173
Distribution:			
	June 1.	May 1.	A year ago.
Net shortage of freight cars	105,127	148,627	——
Net surplus of freight cars	——	——	33,361
	Increase or decrease from last year: Fourth week of June (13 roads).	Month of May (130 roads).	Jan. 1 to May 31 (130 roads).
Gross railroad earnings	+15.9%	+14.1%	+8.4%
	Increase or decrease from last year: Last week	The week before.	Year to date.
Bank clearings	+33.6%	+25.3%	+24.2%
	June.	May.	A year ago.
Commercial failures	1,186	1,296	1,227